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UNCLAS SECTION 01 OF 02 ASUNCION 001272

SIPDIS

STATE FOR EB/IFD/OIA
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE, OCT. 01 - OCT. 09

1.(U) Summary

- Ambassador Keane Received Honors
- Paraguay Ranks 7th in Democratic Development
- Taiwan Donates \$3 Million to Paraguay
- Judicial Administrator Removed Under Charges of Corruption

Ambassador Keane Received Honors

2.(U) On 10/3, Vice President Luis Castiglioni decorated the Ambassador with the National Anti-Drug Secretariat (SENAD) Meritorious Recognition Medal. Castiglioni described the Ambassador as a friend and an ally in the struggle against drug trafficking. Paraguay remained steadfast in its commitment to fight drugs because it was "morally" the right thing to do but thanked the U.S. for its cooperation and support in this fight. On 10/4 the Ambassador received a national recognition of Merit of Gran Cruz from the Government of Paraguay. Foreign Minister Leila Rachid hosted the ceremony and thanked the Ambassador for the significant contribution he had made to strengthen U.S.-Paraguayan relations. In his remarks, the Ambassador affirmed that the "U.S. wants for Paraguay to be successful in its efforts to implement fundamental reforms that will create a strong foundation and will demonstrate that the road of responsible democracy produces positive results".

Paraguay,s Ranked 7th in Democratic Development

3.(U) According to the Index of Democratic Development in Latin America (IDD-Lat), produced annually by the Konrad Adenauer Foundation, Paraguay's democratic credentials have improved significantly over recent years. According to the index, Paraguay ranked seventh and performed better than other countries in the region including Argentina, Brazil, Columbia and Venezuela. Parting from a low score in 2002, Paraguay's current ranking places it around mid-range among all the countries surveyed in the region.

Taiwan Donates \$3 Million to Paraguay

4.(U) On 10/5, President Duarte received USD 3 million in donations from the Taiwanese government through their representative, Ambassador David Hu, in Asuncion. According to reports, the money is part of a series of donations the Taiwanese government has made to Paraguay in the past, and will continue to donate as part of a promise made by the Taiwanese government which will total USD 29 million over the next three years (ending 2007). The funds will be used for construction of 1,200 homes that will be donated to low income families. President Duarte remarked that Taiwan's donation is a reflection of the confidence the Taiwanese government has in his administration. Ambassador Hu took the opportunity to thank President Duarte for supporting Taiwan at the UN General Assembly including its petition for international recognition as an independent country. Press reports suggested the funds were tantamount to compensation for Paraguay's position on Taiwan before the UN but the MFA's Director of Bilateral Affairs and former Ambassador to Taiwan, Ceferino Valdez, denied that was the case.

Judicial Administrator Removed Under Charges of Corruption

5.(U) On 10/5, it was reported that Luis Insua Ego, General Director of Administration and Finance of the Judicial Branch, was dismissed for corruption. According to the reports, Insue made several direct contracts with private companies without going through the bidding process

established by the courts. The courts will submit all of the evidence to the Public Ministry to initiate a criminal investigation against Insua.
KEANE